

Case study : Illustrative example of FX Global Code adoption

Who we are:

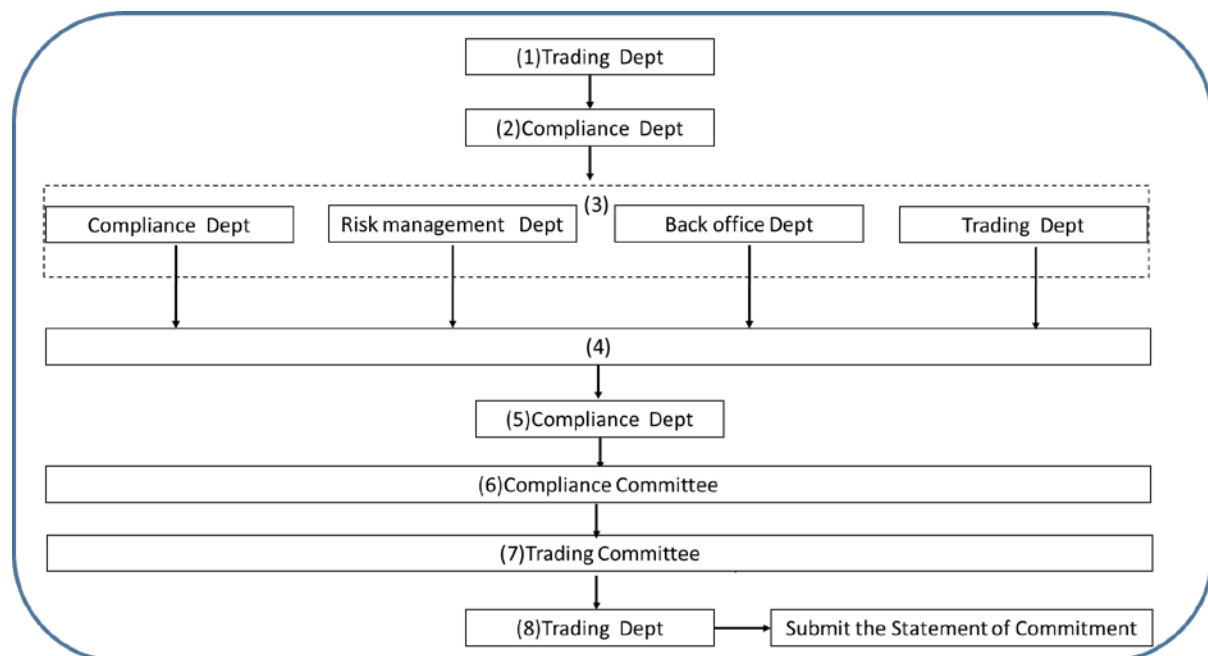
We are a **Japanese asset management company**. We provide a wide range of active and passive equity products as well as fixed income and alternative products, both globally and domestically, to our clients through our extensive distribution networks. Through this case study, we would like to show the motivation and processes of the code adoption from the perspective of a buy-side asset management company.

Why we adhered:

We acknowledge that the FX Global Code of Conduct (Code) serves as a set of principles of good practice. It is our belief that adhering to the Code demonstrates our high standards of ethical behaviour, enabling us to build trust and enhance communication with clients and business counterparties. A solid relationship with our clients would in turn lead to trading at better and more transparent rates relative to those prior to the adoption of the Code, which is beneficial for both of us. Another aspect of the merits is that some of our clients place great importance on adherence to the Code; signing the Statement of Commitment (SoC) helps alleviate potential reputational risk.

How we adhered:

Chart: Process of signing the Statement of Commitment



Procedure: The following outlines a series of steps taken to sign the SoC:

- (1) Trading Department (Dept) requested Compliance Dept to discuss adoption of the Code.
- (2) Compliance Dept examined each principle and assigned gap analysis to the relevant 4 departments. This process took approximately 2 weeks.
- (3) Each department undertook gap analysis for the relevant principles. This process took approximately 3 weeks.
- (4) A cross-departmental meeting was organised in order to finalise the principles to adhere to. Out of the Code's 55 principles, 46 were identified as applicable principles.
- (5) Compliance Dept summarised the outcomes from the meeting and prepared materials to present the results of the gap analysis to Compliance Committee. This process took approximately 1 month.
- (6) Compliance Committee judged that it would be possible to comply with the principles chosen.
- (7) Trading Committee decided to sign the SoC. This process took approximately 2 weeks.
- (8) Trading Dept undertook administrative work in preparation for signing the SoC. This process took approximately 2-3 months.

*In total, the whole process took 5 months.

Setup: The internal review was initiated by Trading Dept. At the request of Trade Dept, Compliance Dept examined each principle and assigned gap analysis to relevant departments that were considered to comply with the Code, namely: (i) Compliance Dept, (ii) Risk Management Dept; (iii) Back Office Dept; and (iv) Trading Dept.

Proportionality: The gap analysis for the six leading principles was organised as follows:

Ethics and Governance: Compliance Dept, Trading Dept

Execution and Information Sharing: Trading Dept

Risk Management and Compliance: Compliance Dept, Risk Management Dept, Trading Dept

Confirmation and Settlement Processes: Back Office Dept, Trading Dept

For each principle, the relevant departments assessed both quantitatively and qualitatively whether it is applicable to us given the nature of our business. **Out of the Code's 55 principles, 46 were identified as applicable principles.** Those that were found relatable were further analysed from the perspective of adherence status and necessity to take action to address the gap. Our finding was that these principles were in line with the internal rules. Meanwhile, the remaining 9 principles were also reviewed, thereby justifying their non-applicability; for example, Principle 11 (Pre-hedge) was excluded as we are a buy-side company.

Decision: After each department completed the gap analysis, a cross-departmental meeting was held in order to gather information and finalise which of the Code's 55 principles were applicable to our business. The outcomes of the meeting were summarised by Compliance Dept and presented to Compliance Committee, in which adoption of the Code was validated. Trading Committee then approved the adherence to the Code.

Outlook: Members of staff in the relevant departments have been instructed to read and understand the Code, where we intend to carry out such trainings in a periodic manner. Building upon a more sophisticated gap analysis that we conducted after signing the SoC, we will keep an eye on our adherence status and review it regularly. Should there be revision or amendment to the Code, we will further conduct the gap analysis.